BUDGET
1975-76

Speech of

Thiru M. Karunanidhi

Chief Minister

1st March 1975

Speech of Thiru M. Karunanidhi, Chief Minister of Tamil Nadu presenting the Budget for 1975–76 *to the Legislative Assembly on* 1*st March* 1975.

Mr. Speaker Sir,

I rise to place before the House the Revised Estimates for 1974–75 and the Budget Estimates for 1975–76.

2. The Indian economy is adrift in the crisis of iniquity arising from the unabated increase in prices and the inability of purchasing power to grapple with it. Hon'ble Members will appreciate that inevitably our Budget is overshadowed by this distressing situation.

3. Although there is severe world-wide inflation, India, because of her poverty, is not in a position to take it in her stride. Monetary instability erodes the real value of incomes and of savings and investments as well. It is also responsible for the stubborn continuance of social inequalities which we wish to abolish. Prices rise and wages are pushed up. The soaring kite of price inflation is given a further lift by the thread of wage increases. Yet there are millions in India who are not in a position to make wage demands. The reason is simple : they have no wages to be raised. Our economic revolution should also take them into account. Indeed, it should have them as its centre-piece.

4. As Arignar Anna has pointed out on many occasions in this House, while the powers and responsibilities for controlling prices are concentrated

in the Centre, it is the State which has mostly to bear the consequences of inflation. The Annual Report of the Reserve Bank of India on Currency and Finance, released a couple of months ago, has itself pointed out that "the continuance of inflation had also generated the fear that perhaps Government was not able fully to cope with the situation for political or administrative reasons".

5. While the severe drought in our State in the current year has no doubt aggravated the problem, no one can deny that the factors responsible for it are the financial policies pursued in the last few years by the Centre. In this situation we will have to take urgent policy decisions in several areas and particularly in regard to—

— the size and pattern of Plan investments ;

— immediate measures for increasing agricultural and industrial output ; and

— a national policy on wages, incomes and profits comprising both the public and private sectors.

Immediate attention is necessary at least on these basic issues. Many of the decisions taken by the Centre with the objective of controlling inflation are not popular or palatable to the people. It is, therefore, desirable that the Centre should consult the State Governments who are in close contact with the people before undertaking such measures. I have repeatedly emphasised that the Centre should convene a Conference of Chief Ministers to freely and frankly discuss the economic situation in the country and the various measures that need to be pursued. It is a matter for regret that the Central

Government have not only not responded to this suggestion but even the National Development Council which should be convened periodically has not met in the last 15 months.

6. It is an anamoly that while the Centre is not able to prevent a large deficit in its Budget, State Governments are being constantly advised and even warned that their ways and means should always be in balance and that they should not incur any budgetary deficits. I must make it clear that I am not pleading for uncovered deficits in State Budgets. I only wish to emphasise that uniform yardsticks should be adopted whether it be the Centre or anyone of the State Governments. There should also be no attempt to reduce the Centre's deficit by curtailing legitimate assistance to the States for development or for the relief of natural calamities or by denying them an equitable share in market borrowings.

7. In the face of these uncertainties in Centre-State financial relationships, we have to formulate our Budget in the light of our own circumstances, balancing the needs of both progress and prudence. As far as we are concerned, the principal objectives which are reflected in our Budget for 1975–76 are, adequate provisions for :—

Annual Plan in 1975–76 ;

Development schemes outside the Plan ;

Drought relief ;

Special schemes for social welfare ;

Measures for reducing social inequalities.

Five-year Plan

8. We were encouraged by the Centre's announcement that the outlay for the Fifth Five-Year Plan will be Rs 53,400 crores i.e., more than twice the outlay of Rs 25,000 crores for the Fourth Five-Year Plan. We had hoped that this would lay the foundation for the future growth of the economy, the promotion of employment and progress towards the abolition of poverty. These expectations have, however, been belied by events. While identifying those who pleaded for a Plan holiday as reactionaries, the Centre appears to have joined this group in actual fact by postponing the finalisation of the Fifth Five-Year Plan. The Draft Outline of the Fifth Five-Year Plan was circulated to all the Chief Ministers and discussed by the National Development Council at Delhi. This was followed up by the Planning Commission with discussions on their Plan with individual States. It was, thereafter, announced that the National Development Council would finalise the Fifth Plan last year itself. Despite all these developments, the Fifth Plan has now been reduced to a situation in which we are thankful if there is an Annual Plan from year to year.

Annual Plan 1975–76

9. Having lost confidence in the finalisation of the Fifth Plan, we had proposed to the Centre that the Annual Plan in 1975–76 for our State should be of the order of Rs 163 crores. Plan outlay in 1973–74 was Rs 129 crores. The Planning Commission, however, approved only an outlay of Rs 112 crores in the current year which was to have been the first year of the Fifth Plan. However, based on our own efforts we will be able to implement a Plan of Rs 142 crores in the current year. In 1975–76, the Centre

has approved a Plan outlay of Rs. 143 crores as against our request for an outlay of Rs 163 crores. Central assistance for only Rs 41·15 crores has so far been assured. We have emphasised the need for an increase in Central assistance. The outlay of Rs 143 crores does not include developmental expenditures that are financed from the internal resources and borrowings of a number of statutory authorities and public sector corporations. Including such extra-budgetary development expenditures as part of Plan outlay, the size of the Plan will be increased to the extent of Rs 27 crores and will be of the order of Rs 170 crores.

Drought Relief

10. We have been anxious that the pace of development in our State should not receive a set back due to the severe and unprecedented drought that faces us. The normal Plan provisions for drinking water and for various schemes which can provide sizable employment in rural areas will be concentrated in the drought affected areas in the next seven months. We have estimated that Rs 7 crores in the current year and Rs 18 crores in 1975–76 will be spent from Plan provisions in the drought affected areas. In addition, we have released Rs 10 crores to Collectors and Rs 2 crores to the Tamil Nadu Water Supply and Drainage Board in the current year outside the Plan for drought relief. We have also provided Rs 20 crores for drought relief outside the Plan in the Budget for 1975–76. Accordingly, a total provision of Rs 57 crores has been made for drought relief within and outside Plan provisions in the current year and in the coming year. We have requested the Centre for an assistance of Rs 30 crores for drought relief. The Centre has

promised an assistance of Rs 7·5 crores in the current year. We hope that the balance will also be made available.

11. We undertook relief works to the extent of Rs 18·64 crores in connection with the drought in 1969. This resulted in long-term benefits throughout the State in terms of rural drinking water supply, minor irrigation, roads and the like. Similarly, we incurred an expenditure of Rs 13·61 crores in connection with the floods of 1972 and used this expenditure for creating lasting assets such as land reclamation, improvement of roads and restoration of irrigation sources. In the same way, I wish to point out that the drought relief expenditure currently being incurred will also be directed towards building up permanent assets in rural areas. By the same token, Central assistance for drought relief should result in a genuine additional transfer of resources to the State. It will not serve any purpose if it is only an advance instalment of normal Plan assistance liable to be deducted in the subsequent year. We trust that accounting will not become a substitute for aid.

12. The Budget has provided for sustained progress in our development schemes, both within and outside the Plan, despite the financial constraints created by Nature's neglect.

Agriculture and Allied Sectors

13. Agriculture is the life breath of the economy of Tamil Nadu. It has been the policy of our Government to give the highest priority to agricultural development. As in past years, new paddy varieties ADT-31 and Pusa-33 have been released in the current year. A new short duration paddy strain 6543 which

matures within 90 days has been evolved by the Agricultural University. A new hybrid millet known as Kovilpatti Tall which gives higher yields of cholam as well as fodder has been released. We have also introduced a new cotton variety called CBS-156 which is capable of being spun up to 120 counts and which can yield 15 to 20 quintals per acre.

14. We have extensive areas of cultivable lands estimated at 11 lakh acres lying waste at present. In order to bring such areas progressively under cultivation we have recently set up a State Farms Corporation. The State Seed Farms are being strengthened with various facilities for ensuring an increased output of seeds. In 1975–76, three seed farms in an area of 100 acres each will be established in the coastal districts in order to extend the cultivation of tapioca to one lakh acres. Another important project that will be taken up is the extension of the Intensive Agricultural Area Programme to the districts of Ramanathapuram, Salem, Dharmapuri and Kanyakumari. I am happy to announce that as a result, the entire State will be covered by intensive programmes by the end of 1975–76.

15. In the context of the drought, an ambitious summer cropping programme has been launched with a target of bringing 5 lakh acres under paddy, 6 lakh acres under millets and 6 lakh acres under pulses. Honourable Members are already aware of the several facilities and concessions we have announced in order to encourage our ryots to take to summer cultivation. The soil conservation and minor irrigation programmes being administered by the Department of Agriculture will also be significantly enlarged in order to benefit

the drought affected areas. In 1975–76, the Department of Agriculture will sink 2,500 tube wells, 2,000 filter points, 800 bore wells and will deepen 1,800 wells. Adequate provisions have been made for the purchase of drilling and rock blasting equipments for this purpose.

16. The intensive cattle development project which has been introduced in the districts of Madurai and Tirunelveli will also be implemented in Thanjavur in 1975–76. Eight new key village blocks and 25 additional veterinary dispensaries will be opened in the State in the coming year. A new exotic cattle development project with provision for 240 high yielding pedigree cows and 10 bulls imported from Denmark will be set up in Eachenkottai in Thanjavur district. A provision of Rs 20 lakhs has been made for the Poultry Development Corporation, which was established last year and is expanding its activities.

17. The Fisheries Development Corporation which was formed last year has been functioning satisfactorily. The programme in 1975–76 is to construct 250 mechanised fishing boats for fishermen with financial assistance from the Agricultural Refinance Corporation and nationalised banks. The Plan provides for a share capital participation and loan of Rs 70 lakhs for this purpose. The Corporation has also placed orders for two imported fishing trawlers which will supplement four indigenous trawlers for its deep sea fishing project. The Tamil Nadu Forest Plantation Corporation has taken over about 1·87 lakh acres of forest lands from the Forest Department and is raising new plantations in these areas. A sum of Rs 12 lakhs has been provided in the Budget towards loan and share capital participation in this Corporation.

Irrigation.

18. We have given high priority to major, medium and minor irrigation from year to year. In the last eight years, we have taken up 23 medium and major irrigation projects at a total cost of Rs 112·5 Crores to benefit 5·5 lakh acres. In the same period, we have completed 6,600 works under the Special Minor Irrigation and Desilting-cum-Reclamation Programmes at a total cost of Rs 30 crores to benefit nearly 10 lakh acres. In taking up new irrigation schemes, we have relaxed the conventional yardsticks of cost-benefit ratios, especially in backward areas, having regard to the fact that more economical schemes have been taken up in our State. Higher food production and the assurance of benefits of irrigation to the people are currently our prime considerations in sanctioning new irrigation projects.

19. An amount of Rs 31·51 crores has been set apart in the Budget for the development of irrigation facilities and for maintaining existing irrigation sources. In 1975–76, the following eight new schemes, at a total cost of Rs 20·2 crores, will be taken up to provide irrigation to a new area of 33,000 acres and to stabilise irrigation for 18,000 acres:—

(i) Improvements to Veeranam tank and Vadavar Channel (South Arcot);

(ii) Shenbagathope Reservoir (North Arcot);

(iii) Doddahalla Reservoir (Dharmapuri);

(iv) Siddhamalli Reservoir (Tiruchirappalli);

(v) Uppar Reservoir (Tiruchirappalli);

(vi) Sirumalayar Reservoir (Madurai);

(vii) Poigai Anicut (Kanyakumari);

(viii) Koundiyanadhi Reservoir (North Arcot).

20. In addition, the examination of four more schemes, namely, Noyyal reservoir (Coimbatore), Andiappanur Odai reservoir (North Arcot), Palar reservoir (Tiruchirappalli) and providing a supply channel to Gridhamal river will be completed quickly.

21. The ayacut of the Parambikulam-Aliyar Project will be increased by about 89,000 acres with the use of the additional water that will be available from the Nirar river. Supply will be made by turns every alternate year as is being done for the ayacut already localised. The additional area benefited will be about 24,000 acres in Pollachi taluk, 25,000 acres in Udumalpet taluk, 15,800 acres in Palladam taluk and 24,000 acres in Dharapuram taluk. The work on excavation of channels will be taken up immediately so that employment could be provided to the local population affected by drought and to extend irrigation benefits in the next season.

22. We have made a provision of Rs. 3·5 crores in 1975–76 for the Special Minor Irrigation Programme. In addition, a provision of Rs 2 crores has been made for the accelerated minor irrigation programme and desilting-*cum*-reclamation schemes. The special scheme for the reclamation of ex-zamin tanks which was taken up in the current year will be continued in the coming year with a provision of Rs 25 lakhs. I may point out that we have made a special effort to ensure that the various irrigation projects are concentrated and accelerated in the drought affected areas so that they can result in the provision of employment in the next 6 to 7 months. We expect to spend about Rs 5·5 crores from the Budget provisions for irrigation in the drought affected areas in 1974–75 and Rs 12 crores from such provisions in 1975–76.

Power.

23 Honourable Members are aware that the installed capacity for power in our State is the largest in any State in India, viz., 2254 MW. During 1975–76 one more 110 MW unit will be added at the Ennore Thermal Station. The Naduvattam diversion scheme in the Nilgiris will also be completed in the coming year and will contribute an additional 69 million units per annum of energy. Works on Kundah Fourth stage (110 MW), Suruliyar (35 MW) and Tuticorin thermal station (400 MW) are in progress. The Kundah IV stage scheme is expected to be completed in 1976–77 and Suruliyar and the first unit of Tuticorin are expected to be commissioned in 1978–79. A special programme for improving capacity utilisation at the Ennore thermal plant in co-operation with the Bharat Heavy Electricals Limited has been taken up and it will be our endeavour in the next few months to double the generation of power from Ennore.

Industries.

24. Our policy is that true socialism can be achieved only on the basis of an expanding role for the public sector. In order to exercise control over the private sector, we have also promoted a number of projects in the joint sector. We also believe in a strong co-operative sector and in the growth of small scale industries in order to diversify economic power.

25. The premier institution which is responsible for the promotion of major and medium industries in our State is the Tamil Nadu Industrial Development Corporation (TIDCO). In the last four years, TIDCO has initiated 37 projects which are designed to cover

the gaps in our industrial structure in petro-chemicals, pharmaceuticals, chemicals, engineering and other industries. The total capital outlay in these projects will be of the order of Rs 340 crores. They will generate employment for about 17,000 skilled and unskilled workers with many more thousands being benefited indirectly. In 1975-76, nine joint sector projects relating to fertilisers, chemicals, salt, television sets, cigarettes, nickel-cadmium cells and heavy castings are expected to go on stream. The most important of these will be the joint sector fertiliser project at Tuticorin with an investment of Rs 90 crores which will be the largest fertiliser plant in India. This project will be commissioned shortly. According to the allocation permitted by the Government of India, 60 per cent of the fertilisers produced in the Tuticorin plant will be distributed in Tamil Nadu.

26. I had announced in the last Budget our intention to nationalise Textools, LASCO Alloy Steels, Sakthi Pipes and Southern Structurals which are sick units being managed by Government. The draft legislation for this purpose has been sent to the Centre for approval. These units will be nationalised with the approval of the Legislature after concurrence is received from the Union Government.

27. The Tamil Nadu Small Industries Development Corporation (SIDCO) will take up a programme for the construction of 100 industrial sheds at a total cost of Rs 1 crore in 1975-76. A provision of Rs 20 lakhs as margin money has been made for this purpose in the Budget. The Tamil Nadu Small Industries Corporation (TANSI) will be taking up projects for the manufacture of Mopeds and for the manufacture of machine tools in collaboration

with the Hindustan Machine Tools Limited in the coming year. The State Industries Promotion Corporation of Tamil Nadu (SIPCOT) has sanctioned assistance to the tune of Rs 9·8 crores under various schemes and has canalized a total investment of Rs 73 crores with direct employment potential for over 12,800 persons. It is completing the development of the Ranipet complex and has taken up the development of additional industrial complexes at Hosur and Manamadurai.

28. We have made significant progress in the development of the sugar industry in Tamil Nadu. In the current year orders for plant and machinery for three new sugar mills at Vellore, Tiruppathur and Coimbatore have been placed for a total value of over Rs 11 crores. In addition, our co-operative sugar factories have taken up expansion programmes for a total value of Rs 14 crores. In the last Budget I had announced our policy decision that new sugar factories in our State will be started only in the public sector with share capital participation by cane growers. We hope to receive letters of intent shortly for 5 new sugar mills to be set up in accordance with this policy. It is a matter of satisfaction that sugar production in Tamil Nadu in the sugar year of 1973–74 (October 1973 to September 1974) reached a record level of 4·43 lakh tonnes which represents an improvement of 34 per cent over the previous year. I may point out that in order to encourage cane growers we are giving them a higher price than what is fixed by the Centre.

29. The recessionary trends in the textile industry as a whole coupled with general inflation has depressed the demand for handlooms and has resulted

in the accumulation of stocks. We have arranged for a ways and means accommodation of Rs 3 crores to the handloom sector through the Tamil Nadu State Co-operative Bank. We have also moved the Government of India for assistance for an additional amount of Rs 3 crores to relieve the accumulation of stocks. I trust that their clearance to this proposal would be available soon.

Education.

30. Education continues to take the pride of place in budgetary allocations. Educational expenditure has risen in the last 8 years from Rs 44 crores to Rs 118 crores. We have also simultaneously pursued a number of measures for the qualitative improvement of school education. Nineteen high schools run by financially weak municipalities have been taken over and five more high schools will be brought under this scheme in 1975–76. There will be further expansion in the programme for converting existing high schools in the State into comprehensive high schools by the provision of courses for various technical and commercial courses. The Budget includes a provision of Rs 14 lakhs for this purpose. In 1975–76, about two thousand additional teachers will be appointed. Honourable Members are aware that Government's contribution to the mid-day meals scheme has been increased in the current year from six paise to ten paise per pupil per day. The total budget provision in 1975–76 for this scheme is Rs 4·5 crores.

31. In the last 8 years, the number of colleges offering Arts and Science courses has gone up from 105 to 183. The number of college students has increased from 94,000 to about 2,00,000 in the same period. I am glad to inform the House that the University Grants Commission has recently agreed

in principle to our proposal for setting up a Technological University at Madras by upgrading the College of Engineering at Guindy and by including certain other technical institutions within the scope of the University.

History, Art and Literature.

32. The beautiful Art Gallery at Poompuhar and the impressive fort in memory of Kattabomman at Panchalamkurichi are standing testimony to this Government's efforts to propagate the glory of Tamil culture throughout the world through sustained encouragement to Tamil art, literature, history and culture. The Valluvar Kottam has also begun to rise in the City of Madras.

33. A provision of Rs 76·82 lakhs has been made for various programmes for the promotion of Tamil including the International Institute for Tamil Studies and the preparation of a Tamil etymological dictionary. We have schemes to protect and promote the art of sculpture and to give employment to hundreds of sculptors. The Sculpture Training Centre at Mamallapuram will be strengthened in the coming year with new courses.

34. The Thirumalai Naicker Mahal at Madurai will be converted into a Museum in 1975–76. Government have also decided to assist the effort to raise a temple for "*Tamil Thai*" at Karaikudi which is the resting place of Kamban.

Health Services.

35. In the last 8 years, we have established 18 hospitals, 22 dispensaries and 194 Primary Health Centres. Bed strength has been increased by 2,185 in this period. 2,396 additional medical officers and 1,912 additional nurses have also been appointed in

the last 8 years. The major thrust and emphasis in the Health sector will be on the aspect of qualitative improvement along with a continued increase in the number of beds in district and taluk headquarters hospitals. In 1975–76, we propose to absorb 123 doctors and 155 nurses in various hospitals.

36. The free eye-camp scheme inaugurated in June 1972 has been a success. As many as 6·36 lakh persons have so far been benefited under this scheme. 89,500 operations have been conducted in 219 camps and spectacles have also been supplied free under this scheme. The special fund for this scheme of Rs 55 lakhs will be exhausted in the current year. However, the scheme will be continued in 1975–76 with a provision of Rs 20 lakhs from the Budget.

37. In order to promote rural health, a third Medical Officer will be appointed in each of 100 Primary Health Centres. Immunisation of Pre-school children with triple vaccine will be implemented in 20 Primary Health Centres. Twelve bedded wards for ex-servicemen and their dependants will be constructed in each of 16 taluk hospitals. Dental clinics will be opened in 4 taluk hospitals. Siddha wings will be established in 15 taluk and non-taluk headquarters hospitals. District Food Analysis Laboratories will be set up at Palayamkottai and Salem in order to detect food adulteration.

38. In the current year, 1,11,000 family planning operations have been performed in Tamil Nadu up to December 1974. From the inception of the family planning scheme, 18 lakh operations have been performed. On the average, we are giving an incentive of Rs 100 per family planning operation as compared to Rs 60 received by way of assistance from the

Government of India. I wish to point out that the Government of India which is aware of the basic importance of Family Planning for realising the fruits of development should meet this shortfall to encourage the State Governments to implement this important programme.

Welfare of Harijans and Backward Classes

39. This Government is deeply committed to the uplift of Harijans and Backward Classes. The outlay on the welfare of Harijans and Backward Classes in 1975–76 will be Rs 16·69 crores as shown below :—

	Non-Plan	*State Plan*	*Centrally sponsored*	*Total*
	(Rupees in crores)			
Harijan Welfare..	6·41	3·97	0·50	10·88
Backward Classes Welfare.	5·17	0·64	..	5·81
Total ..	11·58	4·61	0·50	16·69

40. There are at present 555 hostels for Harijans and 231 hostels for Backward Classes. The outlays indicated above include the provision of Rs 8·54 lakhs for the opening of 20 new hostels for Harijans and 20 new hostels for Backward Classes in 1975–76. The Harijan Housing and Development Corporation is engaged in the challenging task of building one lakh houses for Harijan families in rural areas. Fifteen thousand houses will be completed under this scheme in the current year. We have already spent over Rs 3·5 crores for this purpose. This scheme will be accelerated in the coming year with provisions made

in the Budget and support from financing institutions. Fifty Balwadis will be constructed by the Corporation in the current year in the Harijan Colonies. The Harijan Housing and Development Corporation will also implement a programme for the construction of 100 hostels for Harijan students and 50 hostels for students belonging to Backward Classes in 1975–76. The total provision in 1975–76 for scholarships and boarding grants for Harijan students and students from Backward Classes in hostels will be Rs 6·56 crores.

41. As against a budget provision of Rs 15 lakhs for the acquisition and assignment of house-sites for Harijans in the current year, a revised provision of Rs 48·5 lakhs has been made. The initial provision for this purpose in 1975–76 will be Rs 25 lakhs. We have provided Rs 82 lakhs in 1975–76 for the scheme of electrification of Harijan colonies. Out of a total of about 25,000 such colonies, 24,000 colonies have been electrified by the end of December 1974. The lack of proper pathways to burial grounds in Harijan colonies has been a felt need for a long time in our villages. This social disability should not be tolerated any longer. In addition to giving priority for pathways under other schemes, we are taking up a special scheme for providing such pathways in 1975–76 with an initial provision of Rs 30 lakhs. In the first phase, this scheme will be taken up in 6,800 villages where land is readily available.

Slum Clearance

42. The Tamil Nadu Slum Clearance Board has so far constructed 15,102 tenements since its formation in 1970. The Slum Clearance Board will incur a total expenditure of Rs 3·5 crores financed from the Budget

and from HUDCO in 1975–76. In addition, Rs 45 lakhs will be spent on various programmes for environmental improvements in the slum areas of the city. The Housing Board will incur an expenditure of Rs 40 lakhs for the construction of tenements in slum areas in district towns. It is a matter of satisfaction that we have been able to keep up this programme with undiminished vigour despite our financial difficulties and the lack of adequate assistance from the Government of India for the clearance and redevelopment of slum areas.

Roads

43. We have made a provision of Rs 28·74 crores for the construction and maintenance of road works in 1975–76. The provision of all-weather link roads for villages with a population of 1,500 and above and fair-weather link roads for villages with a population of less than 1,500 are two major programmes we have initiated. Rs 7·5 crores have been set apart for the schemes in the current year and in 1975–76. The provision for roads also includes a grant of Rs 2·19 crores to Panchayat Unions for improvements and maintenance of local roads. In addition, we have provided Rs 75 lakhs to Panchayat Unions under the link roads programme. A sum of Rs 60 lakhs has been provided for roads in the sugarcane growing areas around sugar factories. The roads programme will be of special importance for providing employment in the drought affected areas.

44. The bridges across the Cauvery at Tiruchirappalli and Bhavani, the Palar bridge at Vellore and the formation of Kodaikanal-Palani road are the important works to be completed in 1975–76.

Transport

45. In pursuance of the policy of nationalising the entire passenger transport industry in the State, 4,804 out of the 9,938 stage carriages in the State have been brought under nationalisation. The pace of nationalisation can be expedited only after the Supreme Court's decision in the appeal filed by the State Government is known. The Government have decided to take over all contract carriages including tourist vehicles (known as omnibuses) in order to provide an efficient and economical road transport service. A scheme for this purpose has already been published.

Water Supply

46. The Tamil Nadu Water Supply and Drainage Board (TWAD), formed in 1970, is in charge of investigation and execution of water-supply and drainage schemes throughout the State. In 1975–76, a provision of Rs 10·32 crores has been made in the Budget by way of loans and grants to the TWAD. This will be supplemented by a loan of Rs 5 crores from the Life Insurance Corporation of India. The Board will soon be completing the provision of water-supply for the Tuticorin industrial complex at a cost of Rs 4·7 crores with a capacity of 20 million gallons per day. Work has been started on the Siruvani water-supply scheme for Coimbatore and an immediate programme for bringing three million gallons per day for Coimbatore town has been sanctioned at a cost of Rs 1·71 crores. This scheme of which the first phase has already been put into operation is expected to be completed in 1975. A sum of Rs 14·85 crores has been spent on the Veeranam project upto 31st March 1974 and a provision of Rs 7·7 crores has been made in the current year. In the meanwhile, we have

sanctioned a scheme for bringing water from the Palar bed to Madras City utilising the pipes laid for the Veeranam scheme. This scheme will result in three million gallons of water a day at a total cost of Rs 1·12 crores.

47. The TWAD will be providing water-supply in 646 scarcity villages and 1,041 endemic villages in 1974–75. As part of the drought relief programme, a special assistance of Rs 2 crores has been released to the Board for drinking water-supply works in the drought affected areas in the current year. In 1975–76, a sum of Rs 3·25 crores has been provided for drinking water-supply in rural areas. In addition, 1,500 bore wells will be dug with the help of the UNICEF in 1975–76. These provisions are in addition to Rs 1·9 crores to be spent through Panchayat Unions for rural water-supply in 1975–76. Out of the various provisions for rural water-supply, we expect that Rs 6·25 crores will be spent in the drought affected areas in the current year and in 1975–76.

Social Welfare

48. The various welfare measures which have been initiated from year to year by our Government for the most vulnerable sections of society have won appreciation all over India. We have so far undertaken schemes for the rehabilitation of leprosy affected beggars, provision of eye camps to the blind, replacement of hand-drawn rickshaws by cycle rickshaws and for the rehabilitation of physically handicapped. These schemes have received the full support and co-operation of the public who have contributed Rs 3·13 crores for these schemes. These funds are administered by the Finance Department and are audited like other Government funds.

In 1975, we will take up a new scheme for taking care of destitute widows and orphan children. The details of the scheme are being worked out. An important new scheme in the Budget is the provision of various facilities such as land reclamation and irrigation wells in the rehabilitation homes for leprosy beggars so that they could be gainfully employed.

49. The main purpose of these schemes is to draw the attention of society to the problems that affect the poorest of the poor and to make a beginning in giving them a better life. Government are committed to bear the continuing expenditure on the schemes initiated every year and to expand such facilities so that solutions are found for tackling these social problems.

New Schemes

50. We began the slum clearance and redevelopment scheme in 1970 and last year we initiated the scheme for providing free housing for Harijan families in rural areas through the Harijan Housing and Development Corporation. I take pride and pleasure in announcing yet another socialistic scheme for providing houses to one of the poorest sections of society. Our fisherfolk live in huts at the mercy of the wind and the sea. In order to provide them with houses, we will begin a new scheme similar to the Harijan Housing Scheme in the coming year. Under this scheme, 5,000 houses will be taken up in 1975–76 in the first phase at an estimated cost of Rs 2 crores.

51. With its deep commitment to social uplift and social welfare, our Government has also been engaged in extending the concept of social security. Since we

started implementing the Family Benefit Fund for Government employees in 1974, about 1,000 families have been benefited and have received a measure of solace and comfort from Rs 10,000 which is being given under the scheme. Similarly, we have also introduced the Tamil Nadu Social Security Scheme which will be of widespread benefit to the public at large.

52. In continuation of these schemes, I have great pleasure in announcing that we have decided to introduce a new scheme called " The Cooperative Handloom Weavers Savings and Security Scheme " for the benefit of handloom weavers in the cooperative sector. This scheme will be implemented with the cooperation of the Life Insurance Corporation of India. Under this scheme, each weaver in the cooperative sector can make a contribution of 6 paise per rupee in his wages to his Savings and Security Fund. This contribution will be supplemented by a contribution of 3 paise per rupee of wages by the Government. It is not necessary for the cooperative society to make any contribution. If the weaver happens to die before the age of 55, an additional amount equal to the accumulation in his Savings and Security Fund from his own contribution and the Government contribution will be paid to his family. In addition, interest will be paid on the amount contributed by the weaver. For example, a weaver with a monthly wage of Rs 100 will pay a contribution of Rs 6 per month. The Government contribution will be Rs 3 per month. If he happens to die after 20 years, his family will get Rs 2,160 being the weaver's contribution and the Government contribution as well as an equal amount of Rs 2,160 making in all a total of Rs 4,320. In addition interest will also be paid on the amount contributed by the weaver. Tamil Nadu continues

to be a pioneer in initiating social security schemes in the whole of India. I wish to express my gratitude to the Life Insurance Corporation for extending their cooperation in this effort.

Benefits to Government Servants

53. This Government has always had the welfare of its employees, teachers in aided institutions and the employees of local bodies at heart. Hon'ble Members are also aware that we have extended to them various concessions and benefits from time to time.

54. Retirement benefits to Government employees have been significantly increased by the merger of the whole of the dearness allowance given to them up to 1st February 1975 with basic pay for purposes of calculating pension and gratuity. We have also given an additional dearness allowance of Rs 5 per month with effect from February 1975 to all Government pensioners. The scheme for remitting pension through money-order up to Rs 300 of pension being implemented in seven districts will be extended throughout the State in 1975–76 at a cost of Rs 6 lakhs to Government.

55. We have provided Rs 75 lakhs in the current year for house building advances. We have decided to double this provision to Rs 1·5 crores in 1975–76 in order to expedite the sanction of house building loans.

56. I am also happy to announce that with effect from 1st April 1975 the scheme of City Compensatory Allowance which is now in operation in Madras City, Madurai and Coimbatore will be extended to

Tiruchirappalli and Salem urban areas at a cost of Rs 35 lakhs. The City Compensatory Allowance Scheme will thus cover all the major towns in our State.

57. We have increased the honorarium for Village Officers by Rs. 7 per month with effect from February 1975. I am happy to announce that with effect from April 1975 the Family Benefit Scheme will also be extended to Village Officers who are below the age of 55, benefiting thousands of Village Officers.

58. The pressing and vast demands on the budget for development, drought relief and implementation of prohibition are such that we face substantial revenue deficits both in the current year and in 1975–76. We have repeatedly undertaken measures for additional resource mobilisation but the extent to which and the frequency with which we can levy taxes in order to meet wage increases is limited. It is natural and understandable that State Government employees should press for the same level of emoluments which Centre is giving to its employees. However, the Centre has neither come forward to adjust its pay scales to those of State Governments nor has it been willing to extend financial assistance to the States for removing disparities in the emoluments of comparable categories of employees. The problems we have faced for many years in this matter have recently been made worse by the impounding of additional wages and additional dearness allowance. We had requested the Centre to at least exempt employees who draw less than Rs 500 per month as emoluments from the scope of this legislation if they could not altogether repeal it. The Union Government has recently conveyed its inability to accept this suggestion also.

59. We had announced 6 instalments of additional dearness allowance to Government employees, employees of local bodies and teachers in aided institutions on the basis of the Central formula in January, following the recommendations of the Dearness Allowance Committee. Since then, the Central Government have extended three more instalments of additional dearness allowance to their employees. The representatives of Employees' Unions have also represented to me that the dearness allowance increase recently sanctioned to them has not been adequate. Against this background, we have now decided to revise the orders issued in January on the following basis.

60. The total dearness allowance for Government employees upto a pay of Rs 300 will be fixed at 36 per cent and for a pay above Rs 300 at 27 per cent corresponding to nine instalments. The dearness allowance which was in force for our employees on 1st January 1973 when the Central pay revision took place will also be taken into account along with pay for purposes of calculating the new dearness allowance. The additional dearness allowance will be the difference between the total dearness allowance calculated on the basis outlined above and the dearness allowance of Rs 55 or Rs 70 which was in force prior to October 1974. The additional dearness allowance will be subject to a minimum benefit of Rs 20 per month and a maximum benefit of Rs 30 per month. This decision will apply to teachers in aided institutions and employees of local bodies also and will cover a total number of about 7 lakh employees. It will be implemented with effect from 1st February 1975 in modification of the decision announced earlier at the time of Pongal.

61. The decision now announced will cost the Government an expenditure of Rs 24·5 crores, as compared to the cost of Rs 12 crores, which we had accepted earlier on account of dearness allowance increases and other benefits to employees. I wish to point out that low-paid employees such as last grade Government servants will be specially benefited by the minimum increase of Rs 20.

Revised Estimate, 1974–75.

62. The Budget Estimate, 1974–75 anticipated a receipt of Rs 480·69 crores including the taxation measures introduced in March 1974 as against an expenditure of Rs 483·25 crores leaving a Revenue deficit of Rs 2·56 crores. As against this, the Revised Estimate for the current year anticipates a deficit of Rs 11·83 crores. This is mainly on account of the decreased receipts under Central Assistance for the State Plan and the loss of revenue due to remission of Land Revenue in drought affected areas, and the increase in expenditure mainly on account of the provision of Rs 12 crores for drought relief works, provisions for interim relief and additional Dearness Allowance and the implementation of special schemes like the Accelerated Minor Irrigation Programme and Fair Weather Roads scheme during the course of the year.

Budget Estimates, 1975–76.

63. The Budget Estimates for 1975–76 provide for anticipated receipts of Rs 501·4 crores and an expenditure of Rs 537·5 crores in the Revenue Account, indicating a revenue deficit of Rs 36·1 crores. We anticipate an increase in receipts from Sales Tax to the extent of Rs 26·4 crores. At the same time, there is a drop in Excise Revenue to the extent of

Rs 22·1 crores between the Revised Estimates for 1974–75 and the Budget Estimates for 1975–76. Abolition of racing, remission of Land Revenue, fall in the receipts from Electricity Taxes due to their merger with the Electricity tariff together result in a reduction of revenue. On the expenditure side, Rs 20 crores for Drought Relief Works has been provided. If assistance from the Government of India is available in full measure for drought relief works, the revenue deficit will be substantially bridged. A capital outlay of Rs 41·70 crores, Loans and Advances of Rs 42·13 crores and repayment of Rs 42·35 crores to Central Government have been provided for in the Budget Estimate. Including the revenue deficit of Rs 36·1 crores, the total deficit under all accounts is Rs 26·6 crores.

64. In the context of the need to keep up the pace of development with adequate provision for drought relief and additional dearness allowances to Government employees and having regard to the loss on account of prohibition we are forced to undertake certain measures for additional mobilisation. It has always been our policy to levy taxes in such a manner that it does not affect the common man. Our present proposals have also been formulated from this point of view.

65. It is proposed to make a marginal adjustment in single point sales tax from 5½ to 6 per cent on coffee, chicory, french coffee and tea in line with the rates prevailing in most other neighbouring States. In the last Budget, 59 items were brought over from multi-point to single point sales tax. At present the multi-point rate is 4 per cent in each stage. Accordingly, we have decided to adjust the single point sales tax on oil cakes, vegetable oils, machine-made matches and pulses and grams from 3½ to 4 per cent. However fertilisers, pesticides and

insecticides will continue to bear only the single point sales tax of $3\frac{1}{2}$ per cent without any change in order to benefit agriculturists. At present, electrical goods, machinery, instruments and apparatus are subject to a single point sales tax of 9 per cent. A higher rate of 12 per cent will be adopted for such electrical goods like washing machines, grinders, mixers, blenders which are used by the more affluent sections and electronic instruments such as index card punching, cash registers etc. used in big concerns. Other items such as bulbs, fans, tubelights etc. will continue to bear the present rate of 9 per cent. The present single point sales tax of 9 per cent on scents and perfumes will be increased to 12 per cent. The present single point sales tax rate of 2 per cent on cotton and cotton yarn will be increased to 3 per cent which is the rate in most other neighbouring States. Prawns, lobsters, crabs, frogs and froglegs are mostly processed and exported to foreign countries. They are subject to a single point sales tax of 5 per cent in Kerala. It is, therefore, proposed to levy a single point sales tax of 5 per cent on these items at the point of last purchase with exemption from tax and registration to dealers whose total turnover does not exceed Rs 5,000 per annum.

66. Stamp duties are now subject to an additional surcharge. It is proposed to merge the additional surcharge with the basic duty and also to make marginal adjustments with a view to rationalisation and facility in calculation.

67. It is estimated that the measures outlined above will result in an additional revenue of Rs 6 crores per annum. Accordingly, the revenue deficit for 1975–76 will be reduced to Rs 30·1 crores and the overall deficit to Rs 20·6 crores. In the recent discussions on the Annual Plan held in Delhi, I have

personally impressed on the Central Government the need for special assistance for drought relief and an increase in Central Plan assistance in order to bridge the gap in 1975–76. I trust that early and favourable decisions will be taken by the Centre on these requests.

Centre-State Relations.

68. In the beginning of the Budget Speech I had referred to the uncertainties in Centre-State financial relationships and had pointed out that we had to balance the needs of both progress and prudence in formulating our Budget. The deficit in the Revenue Budget as well as in the overall Budget can be fully covered if we receive the assistance we expect from the Centre for Plan schemes and drought relief. We have practised economy wherever possible. Our State has been second to none in India in the conservation and mobilisation of resources for development. The real question is not whether in a particular year there is a deficit or not. What is relevant is whether the financial relationships between the Centre and the States are such that there could be adequate development in order to meet progressively all the needs of the people. The award of the Sixth Finance Commission which came into force last year was disappointing to us. As I had pointed out in my last Budget Speech "The only reward that States like ours which have mobilised resources to the extent possible and prudently managed their development activities has been the denial of a fair share from the common pool of finances by using the statistics of our development to give additional assistance to other States". Since then the position has further worsened because of expenditures which were not taken into account by the Finance Commission on dearness allowance increases, introduction of prohibition and drought relief.

69. The award of the Finance Commission which is given once in five years is itself arrived at without full consideration for the differing needs, resources and capabilities of States in our large and diverse country. Added to this, there is no mechanism for taking care of the financial vicissitudes which affect us in the interim period between two Finance Commissions.

70. Our difficulties arise from the fact that our fiscal powers are limited, we do not receive our due share in national resources and we have no voice in the management of the national economy. At the same time we have to bear the consequences of deficit financing and taxation by the Centre. I have to emphasise that while our State has the ability to implement a larger Plan, the Centre has failed to make this possible by not providing the requisite support and assistance.

71. In its very first Article, our Constitution defines India as a " Union of States ". This definition can be given meaning and content only if decisions are openly and jointly taken by the Centre, in full consultation with all the States. What is necessary in the present set up is for the Centre to take decisions in complete partnership with the States in the spirit of a genuine federation. The present Constitution under which the Centre is the Deity dispensing favours and States are Devotees seeking them should be radically restructured. This is the objective of the Resolution on State autonomy which this House has passed. In our beloved land of India which extends from Kanyakumari to Kashmir, there was originally a three-fold division of States. States such as the present Maharashtra and Tamil Nadu were Part-A States. States such as Kashmir and Hyderabad were in Part-B and smaller States such as Coorg were in Part-C.

When the States were reorganised on a linguistic basis these three classifications were replaced and all the States were brought on par except smaller territories like Pondicherry which were directly under Central Administration. All democrats are bound to recognise that when the National Development Council is convened in Delhi, every State, apart from the Union Territories, who are represented at that table should have the same powers. I wish to emphasise that there should be no disparities in powers as between different States and that all the States in India should have full autonomy with joint-rule at the Centre.

72. In the words of Anna,

> "*Our only anxiety is that the Centre desires to take on a burden which it cannot carry. We must accept that the strength of the Centre is no more than the combined strength of individual States. This alone is logical and this alone is good both for politics and in practice. It is untenable to argue that the Centre shall have all the rights and powers while the States should limp. If powers are concentrated at the Centre not only will the States become weak but the Centre will not become any stronger. Let us consider all the responsibilities other than national defence. Let the States assume all the powers they need. Let them, thereafter, willingly give the Centre the remaining powers. It is the States which are close to the joys and sorrows of the people—not the Centre. Therefore, it is wrong to argue that only a strong Centre can solve all problems. If there is hesitation in giving autonomy to the States, the Centre will have to bear unduly large burdens which might divert it from its crucial responsibilities such as national defence. This is our fear. The demand for State autonomy was borne with the object of changing the present system where overall and residuary powers are with the Centre*".

73. This was the testament of Anna in 1968, when he was the Chief Minister of Tamil Nadu. Our goal is to realise his ideals in full measure. We request the Union Government to accede to this demand and the people of Tamil Nadu to create the right conditions for this demand to be met.

74. My heartfelt thanks are due to the Finance Secretary, his colleagues and other officials who have helped me in preparing this Budget.

75. With these words, I seek the approval of the Honourable Members of this House for the Budget Estimates for 1975-76.

Madras,
1st March 1975.

M. KARUNANIDHI,
Chief Minister.